

**UNITED STATES VIRGIN ISLANDS
HOUSING FINANCE AUTHORITY**

**NEW CONSTRUCTION FOR HOMEOWNERSHIP
OPPORTUNITY AND FIRST-TIME HOME BUYER
ASSISTANCE PROGRAM POLICIES AND
PROCEDURES**

**VERSION: 1.0
June 6, 2019**



Prepared by:

Virgin Islands Housing Finance Authority - CDBG-DR Division

The policies and procedures stated in this manual are current as of June 6, 2019. This Manual represents the current version of the Virgin Islands Housing Finance Authority's (VIHFA) policies which shall provide general guidance for the operation of the New Construction for Homeownership and First-Time Home Buyer Assistance Program. All manuals will be periodically reviewed and updated. Therefore, you are strongly urged to visit our website www.vihfa.gov/disaster-recovery to ensure that you have the latest version.


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Table 1: New Construction for Homeownership and First-Time Home Buyer Assistance Program Version Control

VERSION NUMBER	DATE REVISED	DESCRIPTION
VERSION 1	6/3/19	Revisions to finalize Version 1.0

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1.0 POLICIES

1.1 Version Policy

Version history is tracked in the table title page, with notes regarding version changes. The dates of each publication are also tracked in this table. The first version of this document is 1.0.

Substantive changes within this document that reflect a policy change will result in the issuance of a new version 2.0, an increase in the primary version number. Future policy changes will result in additional revision and the issuance of a new primary version number.

Non-substantive changes such as minor wording and editing, or clarification of existing policy that do not affect the interpretation or applicability of the policy will be included in minor version updates denoted by a sequential number increase behind the primary version number. Such changes would result in a version number such as 2.1, 2.2, etc.

1.2 Policy Change Control Board

Policy review and changes for the Virgin Islands' New Construction for Homeownership Opportunity and First-Time Home Buyer Assistance Program policies are considered through a change control process. When policy clarifications, additions, or deletions are needed to more precisely define the rules by which the Program will operate, Program staff will submit a Policy Change Request Form or a Request for Decision Form for internal review by the Policy Change Control Board (PCCB). Within the PCCB, two members will separately conduct a review to verify that all relevant information and any supporting documentation are included in the request. Upon PCCB concurrence by these two members that the request raises a policy issue, rather than a process issue, the Policy Change Request Form or Request for Decision is forwarded to the Policy Change Control Board for consideration. The requests are compiled and brought before the entire PCCB for a final policy change determination.

The PCCB is composed of the Special Council for Disaster Recovery, the Senior Housing Program Manager, the Senior Policy Manager, the Housing Program Manager, at least one Subject Matter Expert, and other program staff members representing Program leadership as needed.

The PCCB meets bi-weekly, as needed, to consider all pending requests but may meet as frequently as necessary to consider critical policy decisions. The schedule for PCCB meetings is expected to move to a lower frequency as the Program matures.

Definitions

Adjusted Gross Income (AGI): AGI is an individual's total gross income minus specific deductions. VIHFA's AGI methodology may be found in the VIHFA's Administrative Manual.

Applicant: A person or persons who have applied to VIHFA for approval of a CDBG-DR home purchase and Homeowner Financial Assistance.

Area Median Income (AMI): Calculated annual limits based on HUD-estimated median family income with adjustments based on family size used for demonstrating LMI beneficiaries in the program. May also be referred to as Area Median Family Income (AMFI) in other program documents.

Builder/Contractor: (Used interchangeably) A person or company that enters a contract to construct or repair houses and or supervised building operations. Builder/Contractor must meet all Virgin Island and HUD requirements.

Common Area Under Roof: The total area under the common roof is primarily interior, conditioned spaces, and for single-story homes, equal to the footprint of the house. The term is also synonymous with the eligible area. In addition, exterior spaces such as detached porches and garages are not considered eligible areas.

Community Development Block Grant – Disaster Recovery (CDBG-DR): The Department of Housing and Urban Development (HUD)'s Community Development Block Grant Disaster program established by the applicable appropriations statute to assist communities impacted by disasters to recover.

CDBG-DR Development Agreement: An agreement entered into by Grantee and Developer for the purpose of funding and carrying out CDBG-DR-eligible activities on one or more CDBG-DR-eligible properties.

CDBG-DR Buyer: Applicant eligible to purchase a CDBG-DR constructed home.

CDBG-DR Property: A property that is rehabilitated, newly constructed, or reconstructed pursuant to Developer's agreement with Grantee, utilizing CDBG-DR funds.

CDBG-DR Home: An CDBG-DR property that is being sold to an owner-occupant.

CDBG-DR Program Budget: The budget attached to a CDBG-DR Development Agreement showing projected development costs and funding for Developer's entire CDBG-DR program in the aggregate.

Construction Cap: For the New Construction for Homeownership and First-Time Buyer Assistance program the Grant cap is \$325,000 for development of properties owned by HFA; and \$150,000 when building on land owned by a prospective homebuyer.

Damage Assessment: An Inspection of the housing unit to document damage from the event. An assessment by a certified or licensed inspector is required to specifically and clearly document storm-related property damage via photographic evidence and detailed narratives. Damage assessments must include final cost of repair estimates according to local code, an assessment of

cost-effectiveness of each recommended activity (reconstruction or rehabilitation), mold remediation, and assistance needed to bring the home up to code at completion.

Davis-Bacon Act of 1931 (40 USC Part 3141 et seq.) and Related Acts: All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with assistance received under this chapter shall be paid wages at rates not less than those prevailing on similar construction in the locality of determined by Secretary of Labor in accordance with the Davis-Bacon Act, as amended. This applies to the rehabilitation and reconstruction of residential property with 8 or more units.

Demolition: The clearance and proper disposal of dilapidated buildings and improvements.

Duplication of Benefits: The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial assistance from CDBG-DR funds with respect to any part of a loss resulting from a major disaster which he/she has already received financial assistance under any other program, from insurance, or any other source. It is an amount determined by the Program that may result in the reduction of an award value.

Environmental Review: All qualified projects must undergo an environmental review process. This process ensures that all activities comply with National Environmental Policy Act (NEPA) and other applicable state, territorial and federal laws.

Environmental Review Record (ERR): the document resulting from required environmental review which includes a description of activities, evaluation of environmental impact, documentation of compliance with applicable environmental regulations, and an environmental determination.

FEMA-Designated High-Risk Area: Area designated by FEMA as vulnerable to significant wind and/or storm surge damage as well as areas located in the designated 100-year flood zone. These areas will be identified during the environmental review process for each participating jurisdiction.

Flood Hazard Area: Areas designated by FEMA at risk of flooding.

Flood Insurance: The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects receiving federal assistance and located in an area identified by FEMA as a Special Flood Hazard Area (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP). To purchase flood insurance, a community must participate in the NFIP. If a community does not participate in the NFIP, federal assistance cannot be used in those areas.

Floodplain: FEMA designates floodplains as geographic zones subject to varying levels of flood risk. Each zone reflects the severity or type of potential flooding in the area.

- “100-year floodplain” – the geographical area defined by FEMA as having a one percent chance of being inundated by a flood event in any given year.
- “500-year floodplain” – the geographical area defined by FEMA as having a 0.2 percent change of being inundated by a flood event in any given year.

Grantee: Eligible first-time homebuyer

Household: A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the LMI National Objective is based on the LMI of the household.

HOME Program: The HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

Individual Mitigation Measures (IMM): Activities designed to mitigate /or reduce the risk of damage beyond the pre-disaster condition of a housing unit when the activities are above and beyond federal, state, or local requirements and the payment of flood insurance are not IMM activities. Examples of IMM activities include elevating a structure above the base flood elevation level, the addition of storm shutters, disaster proof windows, roof straps, etc. as long as those improvements are not required to comply with local code requirements and did not exist on the housing unit prior to the disaster damage.

Low- and Moderate-Income (LMI): A household is considered to be of low- and moderate-income if the household income (including income derived from assets) is at or below 80 percent of an area's median income. All income is based on the Area Median Income limits set annually by HUD for each county or metropolitan statistical area.

Low to Moderate Income (LMI) National Objective: Activities which benefit households whose total annual gross income does not exceed 80% of Area Median Income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with 24 CFR Part 5 requirements using procedures as stated in the Technical Guide for Determining Income and Allowances, 3rd Edition (HUD-1780-CPD). The most current income limits, published annually by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Mitigation: Improvements made to reduce the possibility of loss of life, property damage, personal and commercial hardship, as well as long lasting monetary burdens. For example, implementing a flood mitigation program such as the acquisition of flood-prone property/housing, or the elevation of housing in floodplains are effective mitigation projects that can make residents and communities safer in the face of natural disasters.

Mixed-income Housing: Mixed income housing development can include diverse types of housing units, such as apartments, town homes, and/or single-family homes for a people with a range of income levels.

New Construction: The construction of a new home in a new location.

Project Funding: Any and all governmental and private funds, including a Developer's cash, used to pay for the costs to redevelop a single CDBG-DR-assisted property.

Project Budget: A budget for all acquisition, rehab/construction and soft costs for a potential CDBG-DR project. The Developer must submit the budget to the Grantee and the property must pass Environmental Review and receive Authorization to Use Grant Funds prior to committing to the purchase of any property for use in the CDBG-DR program.

Sales Price: Price established through determination of Fair Market Value (FMV) of the property.

Section 3: A provision of the Housing and Urban Development (HUD) Act of 1968 that requires recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Section 504: A provision of the Rehabilitation Act of 1973 which provides that no qualified individual with a disability should, only by reason of his or her disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

Single-Family Home: A single-unit family residence detached or attached to other housing structures.

Urgent Need National Objective: An urgent need that exists because conditions pose serious and immediate threat to the health or welfare of the community. The existing conditions must be recent or have recently become urgent and the subrecipient cannot finance the activities on its own because other funding sources are not available. Subrecipients or the state must document how each program and/or activity funded under this category responds to a disaster-related impact. See 24 CFR 570.208(c).

Virgin Islands Housing Finance Authority (VIHFA): VIHFA is the Grantee for HUD's Community Development Block Grant-Disaster Recovery (CDBG-DR) funding. VIHFA will retain day to day administrative management and oversight of CDBG-DR activities and will be responsible for establishing and maintaining financial accountability for CDBG-DR funds, compliance with CDBG-DR requirements and establishing and maintaining project files and records. VIHFA will be implementing this program directly and also acting as the developer within this program.

2.0 PROGRAM OVERVIEW

Under this program, VIHFA will utilize CDBG-DR funds to install infrastructure and construct homes in mixed-income communities on St. Thomas, St. Croix and St. John. The development of land will include activities such as infrastructure (roads, lighting, etc.), grading, installation of utilities, and land preparation.

The New Construction for First-Time Homebuyers Program has two options for eligible first-time homebuyers, briefly described below:

- Option 1: Turn Key Home Development: The first method will enable the creation of new, turn-key homes for first-time homebuyers. Option 1 will provide for the development of new homes on land owned by VIHFA. Potential homebuyers must be mortgage-ready and have incomes at or below 80% AMI. This option also may offer second mortgages in the form of forgivable loans for first-time homebuyers at or below 120% AMI.
- Option 2: Have a Lot, Build a Home: The second option allows new construction to occur on land that already belongs to the household. This option enables the creation of new, custom stock housing on private land for first-time homebuyers who are mortgage ready and have incomes at or below 80% AMI.

VIHFA does not anticipate providing down payment assistance, however if the assistance is provided for future projects, down payment assistance would be capped at \$80,000 and must be classified as a public service activity (against the 15% cap).

This policy document explains the structure of the program, the requirements for developers, including VIHFA acting as the developer, requirements for contractors, eligibility criteria for first-time homebuyers, and supporting documentation for program eligibility determination.

2.1 Total Allocation

\$50,000,000 and/or as detailed in the CDBG-DR Action Plan and Amendments

2.2 Tie to the Disaster

Hurricanes Irma and Maria caused significant damage to both the owner-occupied and rental housing stock, depleting an already limited housing stock and driving housing prices above affordable levels. This is especially true for single family homes for sale. Prior to the hurricanes, according to the Housing Demand Study completed in 2015, six percent of overall listings for single family homes for sale were available to households with up to 80 percent of AMI. The majority of homes for sale were higher-priced homes and condominiums.

2.3 National Objective

The Virgin Islands' New Construction for Homeownership and First-Time Buyer Assistance Program will serve the Low- to Moderate-Income Housing (LMI) and Urgent Need National Objectives. Additional definitions and information about the National Objectives will be documented in the General Administrative Policy Manual.

2.4 Eligible Activities

HUD makes the determination if an activity is eligible or ineligible. The following activities under the Housing and Community Development Act of 1974 (HCDA) are eligible for CBDG-DR grant funds: Clearance, Rehabilitation, Reconstruction and Construction of Buildings (including Housing) (HCDA Section 105(a)(4)); Public Facilities (HCDA Section 105(a)(2); Public Services (HCDA Section 105(a)(8)).

2.5 Ineligible Activities

Activities are not eligible for CDBG-DR funds if the activity:

- Does not correspond to an identified disaster-related impact.
- Is restricted by the appropriation legislation.
- Is ineligible according to CDBG-DR requirements and a waiver has not been granted.
- Fails to meet a national objective.

2.6 Geographic Area(s) Served

The Program will serve the U.S. Virgin Islands. It is anticipated that in the first phase of the program, under Option 1, the new, turn-key developments will primarily be, but not limited to, located in neighborhoods where VIHFA owns land for development including Bonne Esperance, Mount Pleasant West, Cotton Valley, and Solitude in St. Croix; Whispering Hills, Fortuna, and Nazareth in St. Thomas; and Bethany in St. John. Under Option 2, homes may be built on land owned by the homebuyer.

2.7 Estimated Start and End Dates

- Quarter 4, 2019 through Quarter 3, 2024.

2.8 Program Administration

VIHFA staff along with additional personnel and contractors hired to support VIHFA with the administration and implementation of the recovery program will oversee all activities and expenditures in connection with the CDBG-DR funds. VIHFA will ensure the program meets all requirements, including: the disaster threshold, eligibility, national objective, compliance, fair housing, labor standards, nondiscrimination, environmental regulations, and procurement regulations.

VIHFA will monitor eligible activities in accordance with CDBG-DR requirements so each funded activity will meet the disaster threshold and one of HUD's three national objectives, with emphasis on achieving the primary national objective of benefiting low- and moderate-income persons.

VIHFA will monitor the program through procedures outlined in the Authority's Monitoring and Compliance policy.

2.9 Affordability Period

Properties will remain affordable for a period of 20 years following VIHFA's current affordability period.

2.10 Resale and Recapture Provisions

VIHFA's resale and recapture provisions outlined in its existing homeownership and single-family construction programs follow provisions outlined in Title 21, Chapter 1 of the U.S. Virgin Islands' code and are further defined in the Joint Rules and Regulations for the U.S. Virgin Islands Affordable Housing Program outlined in Title 29, Chapter 16, Sections 930 of the code.

Resale Provisions

Resale provisions will apply when CDBG-DR funds are used only to construct the unit and no direct financial assistance from CDBG-DR is given to the homebuyer.

Affordable housing units constructed or offered for sale under this Program shall not be sold during a control period of 20 years from the date of the original sale for a price greater than a sales price. The sales price is defined as: the original selling price plus a percentage of the unit's original selling price equal to the increase in the cost of living as determined by the United States Department of Labor's Consumer Price index, plus the fair market value of improvements made to the unit between the date of original sale and the date of resale, plus an allowance for payment of closing costs. The affordable sale price formula may be amended or modified from time to time by the Agency.

Enforcement

CDBG-DR funds will be secured by the incorporation of the applicable language in the Deed of Conveyance. VIHFA may also require the homebuyer execute a Promissory Note and a Mortgage which shall be recorded against the property.

Recapture Provisions

Recapture provisions will apply when CDBG-DR funds are used to provide direct financial assistance to a homebuyer to acquire a unit.

Applicability

The recapture provisions herein shall apply where CDBG-DR funds are employed to assist home ownership housing to qualify as affordable housing either by providing financial assistance such as down payment or closing cost assistance, interest subsidies, or mortgage buydowns that enable homebuyers to make the purchase or by providing monies as a development subsidy which then enables the unit to be sold at a price below fair market value. Note: Recapture provisions shall not apply when CDBG-DR funds are used only to subsidize the development cost of the assisted unit and the unit is sold at fair market value; in that case, resale provisions will be used.

Restrictions on Transfer

Under the recapture option, there is no requirement that the CDBG-DR-assisted property is sold/transferred to another low-income homebuyer upon either voluntary or involuntary transfer during the affordability period. Instead, the original CDBG-DR-assisted homebuyer will be free to sell the property to any willing buyer at whatever price the market will bear. Upon either voluntary or involuntary transfer during the affordability period, the participating jurisdiction shall recapture from available net proceeds an amount defined below.

Enforcement

The CDBG-DR funds will be secured by the incorporation of the applicable language in the Deed of Conveyance. VIHFA may also require the homebuyer execute a Promissory Note and a Mortgage which shall be recorded against the property.

Calculation of Recapture

Upon resale of the property, the homebuyer shall recover from the net proceeds their entire investment (which is defined as the homeowner's contribution to down payment and the cost of capital improvements made by the owner since purchase) before the participating jurisdiction recaptures the direct CDBG-DR subsidy. The homeowner's investment shall be repaid in full before the participating jurisdiction recaptures any funds. If the net proceeds are insufficient to repay the homeowner's investment, the homeowner shall receive the available net proceeds and the participating jurisdiction shall not be responsible for any balance remaining. The VIHFA recognizes that, if net proceeds are not sufficient to repay the homeowner's investment and the direct CDBG-DR subsidy, the participating jurisdiction may not be able to recapture the full amount of the direct CDBG-DR investment.

Affordable housing units sold to eligible persons and families under the Program and subsequently offered for resale shall be subject to the following recapture rule:

2.11 Duplication of Benefits

Duplication of Benefits Assistance under this program will be reviewed as required under the Robert T. Stafford Act (Stafford Act), as amended, which prohibits any person, business concern, or other entity from receiving federal funds for any part of such loss for which they have already received financial assistance under any other program, private insurance, charitable assistance, or any other source.

2.12 Program Income

The program will generate program income both with the sales of the homes and in the event of resale or recapture. VIHFA will utilize the Program Income to continue to fund the solutions within this program. As stated in the USVI Action Plan, VIHFA will comply with all HUD requirements found at 24 CFR 570.489. In the event program activities generate program income, those funds

will be allocated to projects which further recovery activities and, to the maximum extent possible, will be distributed before the program makes additional withdrawals from the Treasury. Program Income proceeds will continue to be considered CDBG-DR funds and will be subject to all regulations and DR waivers. Expenditures of Program income must meet all CDBG-DR rules such as eligibility, linked to a hurricane, national objective, LMI targeted requirements and other federal requirements such as environmental review, Davis Bacon, Fair Housing, etc.

2.13 Program Solutions

2.13.1 Option 1: Turn-Key Development

Under the first option, VIHFA will utilize CDBG-DR funding to install infrastructure and build homes on land currently owned or purchased by VIHFA. In the first phase of this program, VIHFA will act as developer and solicit contractors to install the infrastructure and construct homes.

The first phase of Option 1 will be open to eligible residents that have been pre-qualified for VIHFA's homebuyer program. If additional funding is made available under this option of the program, more applicants may become eligible.

Due to the high cost of construction in the Virgin Islands, the sale price for homes constructed under this program may still not be within reach of what a borrower can qualify for with a typical mortgage. In such situations, VIHFA may offer homeownership assistance in the form of a second mortgage, down payment assistance and/or closing costs.

In keeping with guidelines of the Federal Register Notices 6066-N-01 and 6091-N-01, homeownership assistance can be provided to households earning up to 120% of the area median income. The guidelines also allow grantees to provide down payment assistance up to 100%.

Eligible Applicants: Potential home buyers must have been a resident of the Territory at the time of the events, been displaced by one or both hurricanes, and demonstrate they are mortgage-ready with income <120% of AMI will be prioritized.

Maximum Award: Awards may be up to \$325,000 per home, including the infrastructure and construction of homes for first-time home buyers. Circumstances where additional costs may be incurred will be reviewed against cost reasonableness guidelines. VIHFA does not anticipate providing down payment assistance, however if assistance is provided for future projects, down payment assistance would be capped at \$80,000 and must be classified as a public service activity (against the 15% cap).

2.13.2 Option 2 Have a Lot, Build a Home (New construction on homebuyer's land)

The second option offers grants for the creation of new, custom stock housing for first-time homebuyers on land already owned by the household. This component ??? will support the development costs of the land (including but not limited to infrastructure, grading, and land preparation) in the form of grants. Grants will be awarded to (i) qualifying LMI individuals to build on land they already own.

Eligible Applicants: Potential homebuyers displaced by the hurricanes and can show they are mortgage ready with incomes of $\leq 80\%$ of AMI will be prioritized.

Prioritization Criteria: Eligible applicants that are mortgage ready will be prioritized on a first come, first serve basis.

Maximum Award: Awards may be up to \$150,000 per home including the infrastructure and construction of homes for first-time home buyers. Applicants will be expected to obtain additional financing for the total project cost prior to the commitment of the CDBG-DR funds. Program funds are to be used in conjunction with other resources such as a USDA Rural Development loan or bank loan to complete construction and occupy the home.

It is expected that the Program will offer the CDBG-DR funds as a construction loan in combination with a primary lender, such as USDA Rural Development. Construction progress payments will be made at the same time, or *pari passu*, with the primary lender and the Program paying amounts equal to their percentage of the funding.

The construction loan will be converted to a second mortgage, fully forgivable over the term of the loan, with any remaining balance due if the property is sold before the end of the 20-year loan term or if the property fails to comply with CDBG-DR requirements. The schedule for forgivability will be outlined in the loan agreement.

Circumstances where additional costs may be incurred will be reviewed against cost reasonableness guidelines.

2.14 Level and Terms of Assistance

Option 1: Turn Key Solution \$45,000,000

- The per household cap to construct homes and underlying infrastructure is \$325,000.
- The sale price of the home will be established based on the maximum allowable sale price for each island under the rules of the HOME program. The maximum value under the HOME program for 2018 new construction is \$228,000 on St. Croix, \$314,000 on St. Thomas, and \$228,000 on St. John.

Option 2: Have a Lot, Build a Home Solution \$5,000,000

- The per house cap to construct homes and underlying infrastructure is \$150,000.
- CDBG-DR funds will be used, along with funds from additional sources, as a construction loan. Upon completion of construction, the construction loan will be converted to a second mortgage, forgivable on a pro rata basis over the 20-year affordability period.

2.15 Eligible Properties

Under the initial phase of Option 1 Turn Key Development, development will occur on undeveloped land owned by VIHFA.

Under Option 1, if land is acquired in subsequent program phases, properties eligible for acquisition must meet the following criteria:

- Must be located in the Territory.
- Must have no substantial adverse environmental factors as determined by an environmental review.
- Must be suitable locations for marketing and resale of homes to income-qualified homebuyers. Positive factors to be considered are low crime rates, well-rated neighborhood schools, and a substantial percentage of homeowners in the immediate vicinity and recent sales to owner-occupants.
- Must be acquired with a valid deed free and clear of all encumbrances.

For Option 2 Have a Lot, Build a Home, properties owned by the homebuyer and proposed for the program must meet the following eligibility criteria:

- Must be owned by the program applicant, with clear title verified by title search.
- Must have no substantial adverse environmental factors as determined by an environmental review.
- Must be suitable locations for marketing and resale of homes to income-qualified homebuyers. Positive factors to be considered are low crime rates, well-rated neighborhood schools, and a substantial percentage of homeowners in the immediate vicinity and recent sales to owner-occupants.

2.16 First-Time Homebuyer Applicant Eligibility Criteria and Prioritization

Homebuyer applicants for both Options must meet the following eligibility criteria:

- Must be a first-time home buyer.
 - Must meet established income requirements.
 - Must be a resident of the Territory for the three years prior to the hurricanes.
 - Must have the ability to make a minimum earnest money deposit of \$500. For qualified veterans, no earnest money deposit is required.
 - Must be pre-qualified for a mortgage loan based on nationally accepted underwriting standards of FHA/VA/Conventional Mortgages.
 - Must attend VIHFA's Homebuyer's Education Program and earn a Certificate of Completion.
- Must occupy the property as their primary residence.

Prioritization Criteria

The Program will prioritize pre-qualified applicants with incomes at or below 80% AMI for new housing construction or at or below 120% AMI for homeownership assistance.

Applicants for Option 2 will be prioritized based on a review of each individual project for project viability.

2.17 Application Period

The Program will have an open application period lasting 90 days. Outreach activities will be conducted by VIHFA to ensure that the public is aware of the Program. Special outreach efforts will be made to residents that are currently in the VIHFA's existing HOME program.

3.0 PROCEDURES

3.1 Development Process

Development in both Options will be overseen by VIHFA's Senior Manager of CDBG-DR Housing Programs, Manager of New Construction Program, and the Director of the Division of Planning and Construction Division.

3.1.1 Site Selection

For Option 1, under the initial phase of the program, VIHFA will build on sites already in the Authority's inventory. If funds are available for additional phases, VIHFA may acquire land if needed.

For Option 2, applications will be reviewed for homeowners proposing to build on land they currently own. Ownership will be verified prior to acceptance of the applicant into the program.

3.1.2 Environmental Review

VIHFA is responsible for completing the environmental assessment of its development sites and sites for Option 2 owned by the applicant.

3.1.3 Contractor Selection

For Option 1, some of the selected sites already have some level of infrastructure in place; others are raw land without any existing improvements. For sites with some infrastructure, VIHFA will release an Invitation for Bid (IFB) to contractors for construction of the subdivision using VIHFA prepared plans. For raw land, VIHFA will solicit contractors through an RFP for engineering & land planning/design services to create plans for a subdivision for permitting and construction. Both processes are outlined in the VIHFA Procurement Policies and Procedures.

For Option 2, contractors will be selected by the Program from a pool of building contractors that have been properly vetted and qualified as through a recent bid process. The construction oversight for the project will be provided by the VIHFA's Construction Manager and the Program will manage the entire construction process.

3.1.4 Contractor Requirements

For both procurement options, contractors must produce evidence they are licensed to provide services in the U.S. Virgin Islands and demonstrate that the company is in "good standing" with all appropriate regulatory agencies in the Territory.

Contractors must also provide the following:

- Corporate Documents (Articles of Incorporation and By-laws),
- Limited Liability Company (Copy of Articles of Organization and Operating Agreement)
- Copy of Letter of “Good Standing” from Lt. Governor's Office or if LLC, a copy of the “Certificate of Existence”
- Copy of valid license to do business in U.S. Virgin Islands
- Copy of EIN number-approval letter if Corporation or LLC.
- Insurance Binder with type of Insurance/Builder’s Risk Insurance

This information is required to become a VIHFA contractor or vendor with the Virgin Islands Housing Finance Authority. The following forms, to be made available on VIHFA’s website, are used by the Authority to solicit Contractor/Vendors:

- Contract Document Checklist
- Contract Information Form
- Contractor Qualification Statement and
- Contractor Qualification Statement - Professional Service
- DUNS number

3.1.5 Construction Contract and Administration

VIHFA will enter into a construction contract with contractors based on existing construction contract templates. All contracts will include construction drawings, project budget as well as the definitions of contractor and VIHFA roles. The contract will also define terms for progress inspections and payments, define the change orders process and the process for corrective actions. For Option 2, the construction contract terms and other agreements will be defined by VIHFA and the primary lender for the construction loan.

3.1.6 Construction Process

Contractors, as part of their bid, will provide a project delivery plan to be reviewed and approved by VIHFA. The plan will outline the project scope, budget, basic systems to be utilized, labor, and methods and procedures to be followed. This will be the plan against which the contractor’s performance is evaluated. The project delivery plan will include:

- Project description
- Master schedule
- Milestone schedule
- Project staffing plan
- Site mobilization and utilization plan
- Quality assurance program and how it will be implemented

- Listing of meetings with VIHFA (and property owner in Option 2) including frequency and types
- Project budget

Contractors will contact VIHFA's Construction Manager to request progress inspections. VIHFA's Construction Manager will be responsible for monitoring all construction projects, conducting inspections, approving change orders and ensuring all projects are compliant with HUD CDBG-DR, local and Territorial construction requirements.

3.1.7 Construction Standards, including Green Building

For new construction projects, VIHFA has adopted the U.S. Virgin Islands building code based on the International Residential Code; Department of Planning and Natural Resources' Construction Information for a Stronger Home Guide; VIHFA's Affordable Housing Guidelines; and the Model Energy Code.

3.1.8 Construction Closeout Process

Prior to executing contracts and closing on mortgages with buyers purchasing units in VIHFA subdivisions, contractors will adhere to the following process:

1. Contractor should submit the Certificate of Occupancy to Planning and Construction Division (P&C) after it is issued by the Department of Planning and Natural Resources.
2. An inspection is then performed with Planning and Construction and the Contractor, and a Punch list may be generated if there are any issues to rectify.
3. The Planning and Construction Division issues a substantial completion certificate to the Contractor and provides a copy to the Homeownership Division; (45-day time limit begins)
4. The unit is then ready for the buyer to view.
5. The buyer executes a sales contract with the Authority and the mortgage process begins.
6. CDBG-DR New Construction for First-Time Homebuyer staff will provide P&C Division with contact information to schedule initial walk-thru with client.
 - a. Name
 - b. Unit number
 - c. Contact number
7. The Planning and Construction Division will be the point of contact to provide keys and access to the unit. Access is needed by the:
 - a. Appraiser
 - b. Termite Inspector
 - c. Water testing Agent
 - d. Any other access that may be required

8. Builder's warranty and walk-through

3.2 New Construction, first-time home buyer assistance application and intake

3.2.1 Application Intake Process

The Program will have an initial open application period of 90 days. VIHFA staff will conduct initial interviews based on applications received. The Program will work with the existing HOME program to transfer records for applicants who previously pre-qualified as mortgage ready through the existing HOME program, thus expediting their application process. Program staff will determine if applicable records, such as a credit report are current or need to be refreshed.

During the appointment, the applicant completes and signs various forms and supplies information required to ascertain eligibility as follows:

- a. Application for Homeownership
- b. Income & Asset Questionnaires
- c. Third-party verification authorizations, as applicable

Copies of identification documents for all household members, source documents re: household income and assets, tax returns, etc. for all household members will be collected.

Applicants for Option 2 will also be asked to provide information related to the property they are proposing to build on, including but not limited to location and ownership documentation.

3.2.2 Qualifying Applicant Income and Mortgage Readiness

VIHFA will verify applicant income and confirm their ability to qualify for a mortgage.

3.2.3 Income Verification

VIHFA will review applicant's income to determine that applicant's income is at or less than 120% of the AMI. These limits are based on HUD's estimates of median family income, with adjustments based on family size. The HUD income limits are found at www.hudexchange.info/manage-a-program/home-income-limits/.

3.2.4 Eligibility Determination

Program staff will request all necessary third-party verification of income, assets, and other application requirements. They will also verify land ownership for Option 2 applicants.

3.3 Loan Closing

Homebuyers are able to take a final walk through of the home five (5) days prior to closing. This allows the buyer to review the property and ensure that any contingencies listed on the punch list have been addressed and the house is in "move-in" condition.

Loans are closed via a coordinated effort with VIHFA's loan processor, legal division and other lenders. Upon request from the primary lender, VIHFA's loan processor prepares closing instructions and forwards to VIHFA's legal counsel and to the primary lender. VIHFA's legal division prepares the deed, tax clearance and closing documents in preparation of closing. Closing is scheduled by the primary lender in consultation with the VIHFA Loan Processor, legal counsel and client.

3.4 Refinancing

It is anticipated that owners of the Program's projects may wish to refinance either the primary loan only or the primary and secondary loan together. When requesting approval for refinancing loans to which the Program loans are subordinated, underwriting requirements shall apply. In this case, VIHFA Collections & Servicing and Federal Programs staff shall review the terms of the proposed refinancing loan to ensure that terms are reasonable.

Requests for approval of refinancing will be handled in accordance with the guidelines and procedures outlined in the Mortgage Subordination Policy which has been adopted by the Authority.

Pursuant to the Mortgage Subordination Policy, the VIHFA will consider a subordination of a mortgage request from a Borrower who has a first or second mortgage with the Authority for the any of the following reasons:

- Refinancing to accomplish/facilitate:
 - Interest Rate Reduction
 - Switching from an Adjustable Rate Mortgage to a fixed rate mortgage
 - Consolidation of mortgage and personal debts
 - Foreclosure avoidance / loss mitigation

With respect to refinancing loans to which Program loans are subordinated, the Grantee shall seek the written consent of the Authority prior to refinancing or obtaining a subsequent mortgage of the property.

4.0 RECORD KEEPING AND REPORTING

VIHFA Operations and New Construction for Homeownership program staff (including contractors) will comply with 24 C.F.R. Part 5.2, Compliance with the Privacy Act, which requires the safeguarding of Personally Identifiable Information (PII) by:

- Minimizing the use of PII on program documents and records.
- Providing access to PII only to those who require it for official business.
- Securing PII appropriately for paper or electronic forms.
- Training for data security and compliance with the Privacy Act will be provided to all employees and contractors as part of their onboarding process.

In accordance with HUD regulations, as a grantee and recipient of CDBG-DR funds, VIHFA follows the records retention requirements cited at 2 CFR Part 200.333-337, which includes financial records, supporting documents, statistical records and all other pertinent records be maintained for five years after closeout of the grant between HUD and VIHFA. VIHFA established requirements in its sub-recipient and contractor agreements for compliance with all HUD cross cutting requirements outlined at 2 CFR 200: Appendix II, including record keeping requirements. Records such as mortgages and other legal documents enforcing provisions of long-term affordability shall be maintained for five (5) years after the termination of the compliance period.

Homebuyers will be advised to maintain all records, receipts, invoices, and other documentation related to the purchase of their homes for three years from the date VIHFA closes the CDBG-DR program with HUD.

For additional information regarding records retention, how the program will manage PII, and file security, please refer to VIHFA General Administrative Policy Manual.

APPENDICES